



Request for City Council Committee Action from the Department of City Coordinator

Date: September 9, 2013

To: The Honorable Elizabeth Glidden, Chair, Regulatory Energy and Environment Committee

Subject: Comments regarding the study of the Sherco Coal Plan by Xcel Energy

Recommendation: Authorize submission of comments urging the Minnesota Public Utilities Commission (PUC) to direct Xcel Energy to include in its 2014 Resource Plan a timeline for replacing Sherco coal plant's units 1 and 2 with clean energy (Docket E002/RP-13-368)

Previous Directives:

June 28, 2013: Directed staff to submit comments to state regarding Xcel Energy's Annual Report and Petition Service Quality Performance including Smart Grid report (Docket E002/M-13-255)

July 9, 2011: REE support to submit comments to Minnesota Dept. of Commerce related to Xcel Energy's proposed 2013-2015 Tri-Conservation Improvement Plan focused on eliminating Solar Rewards

Department Information

Prepared by: Gayle Prest, Sustainability Director Approved by: Paul Aasen, City Coordinator Presenters in Committee: Gayle Prest

Financial Impact

- No financial impact

Supporting Information

The Minneapolis Community Environmental Advisory Commission passed a motion at their August 28th meeting requesting that the Minneapolis City Council submit comments to the Minnesota Public Utility Commission (PUC) regarding the life cycle management study of the Sherburne County Generating Station ("Sherco") units 1 and 2 (PUC Docket E002/RP-13-368). They recommended that the City's comments should urge the PUC to direct Xcel Energy to lay out in its 2014 Resource Plan a timeline for replacing Sherco units 1 and 2 with clean energy. They felt that such action was consistent with the City's Climate Action Plan and the recent actions related to the Xcel Energy's franchise agreement.

This PUC docket will help determine whether Sherco units 1 and 2 will continue operating as coal-burning units, or whether one or both units will be replaced with a combination of less polluting electricity, including natural gas, more efficient use of power, wind, and solar

energy. Given the size of Sherco, and its contribution to the overall greenhouse gas intensity of electricity delivered by Xcel, decisions made about the future of the plant would have a measurable impact on Minneapolis' ability to meet our Climate Action Plan goals.

About the Sherco Coal Plant:

The Sherco power plant, located 45 miles northwest of Minneapolis in Becker Minnesota, is the single largest source of greenhouse gas emissions in our state, emitting over 13 million tons of carbon dioxide per year. The plant includes three units: unit 1 – 750 megawatts; unit 2 – 750 megawatts, unit 3 – 900 megawatts.

According to Xcel's website, the plant burns 30,000 tons of coal every day (three trainloads) and more than nine million tons a year. A rotary car dumper turns a rail coal car upside down, and unloads one car every three minutes and an entire train in just over six hours.

Sherco units 1 and 2 supply power to Minneapolis and the rest of Xcel's grid, and were built in the 1970s as coal-burning facilities.

Sherco unit 3 is also coal burning but is slightly newer. It is 41 percent owned by Southern Minnesota Municipal Power Agency, composed of municipal power companies operating on a cooperative basis. (A November 2011 major mechanical failure at unit 3 caused a fire, damaging the unit. Xcel officials expect repair costs to be between \$150 and \$200 million, most of which is covered by insurance.)

Public Utilities Commission actions:

On November 30, 2012, the PUC ordered Xcel to examine the feasibility and cost-effectiveness of continuing to operate, retrofitting, or retiring Sherco units 1 and 2.

On July 1, 2013, Xcel Energy filed its Life Cycle Management Study (Study) for Sherco Generation Station Units 1 and 2. Xcel's Study assessed the impact of recently finalized and likely forthcoming EPA regulations and provides cost estimates of the pollution control equipment which could be required at Sherco 1 and 2 and concluded that burning coal is the most cost effective option. When the PUC's carbon proxy cost values are applied, there was very little cost difference over the long term between coal and alternatives.

On July 15, 2013, the PUC requested initial comments to the Study be filed by October 1, 2013.

City Letter

The City's comments are primarily targeted at recommending the need for Xcel to include in its 2014 Integrated Resource Plan a timeline for replacing Units #1 and #2 with clean energy. Xcel's 2014 Integrated Resource Plan is due February 2014.

Xcel is required to develop integrated resource plans to identify the expected demand for electricity over a 15-year period and propose options for reliably meeting the projected need. According to the Study "The decisions made in resource plan proceedings directly affect what generation resources are planned and when they are constructed."